

STATE INSURANCE FUND NOTES TO FINANCIAL STATEMENTS

Fund Balance

An acceptable Fund Balance is required in accordance with actuarial studies to protect the financial integrity of the Fund. This balance is reserved to pay for future losses, primarily catastrophic claims. It provides an immediate source of funds to local schools and State agencies to rebuild or replace buildings and contents.

Recoveries

Recoveries include subrogation against negligent third parties who caused damage to insured property, payments by insurance companies which provide coverage primary to that of SIF, ie., Boiler and Machinery insurance coverage and payments by reinsurers.

Investment Expenses

These consist of utilities, fees, maintenance and miscellaneous costs for leasing owned real estate.

Legal Fees

The fees are defense costs on a claim against the SIF by the United States, Department of Health and Human Services, Division of Cost Allocation. This claim arose as a result of legislative appropriations from the SIF in the 1980's.

STATE INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS - Continued

Loss Liabilities and Expenses

Loss liabilities and expense reserving is required by the Governmental Accounting Standards Board - Statement Number Ten, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." Losses are recorded as current liabilities and expenses in the year reported. SIF losses are estimated liability claims reported and in process of settlement. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The property claims filed are generally reported in the year of occurrence except those losses filed at the end of the fiscal year.

Unpaid Reported Claims Liabilities:	<u>2001</u>	<u>2000</u>
Unpaid claims and adjustment expenses at beginning of year	<u>\$5,553,594</u>	<u>\$4,829,071</u>
Incurred Claims and Adjustment Expenses:		
Provision for insured events of the current year	6,092,020	2,698,871
Increase (Decrease) in provision for insured events of prior years	<u>4,595,734</u>	<u>3,345,634</u>
Total incurred claims and adjustment expenses	10,687,754	6,044,505
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	4,302,954	2,325,861
Claims and adjustment expenses attributable to insured events of prior years	<u>5,386,873</u>	<u>2,994,121</u>
Total Payments	9,689,827	5,319,982
Total unpaid claims and adjustment expenses at end of year	6,551,521	5,553,594
Incurred But Not Reported (IBNR):		
Incurred but not reported at beginning of year	1,453,595	1,340,620
Increase (Decrease) in incurred but not reported	<u>9,992</u>	<u>112,975</u>
Incurred but not reported at end of year	1,463,587	1,453,595
Total Unpaid Reported Claims Liabilities and IBNR at end of year	<u><u>\$8,015,108</u></u>	<u><u>\$7,007,189</u></u>

STATE INSURANCE FUND
Underwriting Expenditures
(Claims and Expenses Paid)
Ten Year History

Fiscal Year	TOTAL	<u>P o l i c y Y e a r o f C l a i m</u>									
		2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
1992	852,431										852,431
1993	4,141,145									3,580,942	560,203
1994	4,854,099								599,888	4,218,997	35,214
1995	5,544,523							1,382,581	1,503,390	2,647,027	11,525
1996	7,928,188						4,451,924	2,198,564	848,347	429,353	
1997	8,928,710					2,482,732	4,970,436	775,977	694,065	5,500	
1998	5,545,411				2,322,867	1,857,068	858,255	507,221			
1999	10,188,763			6,352,944	1,997,692	149,200	1,483,321			205,606	
2000	5,319,982		2,325,861	2,768,444	171,234	54,443					
2001	9,689,827	4,302,954	3,195,300	1,751,058	70,619		369,896				

STATE INSURANCE FUND REVENUE EXHIBIT
RETURN ON EQUITY (R O E)

Fiscal Year	FUND EQUITY	NET REVENUES		UNDERWRITING NET REVENUES		INVESTMENT NET REVENUES	
2001	91,074,862	273,054	0.3%	(4,825,718)	-5.3%	2,184,287	2.4%
2000	89,772,044	4,643,463	5.3%	(92,141)	-0.1%	4,620,657	5.3%
1999	84,734,741	2,493,518	3.7%	(2,170,150)	-3.2%	4,668,600	6.8%
* 1998	51,724,659	(2,897,242)	-5.6%	(1,993,749)	-3.8%	2,594,919	5.0%
* 1997	51,918,635	7,582,035	15.8%	3,564,653	7.4%	4,393,166	9.1%
* 1996	44,276,678	(846,825)	-1.4%	(5,305,368)	-8.8%	4,510,425	7.5%
1995	76,301,869	6,535,840	9.0%	326,104	0.4%	6,366,295	8.7%
1994	69,435,229	6,398,966	9.6%	1,145,518	1.7%	5,508,003	8.3%
1993	63,359,845	752,319	1.2%	(5,066,366)	-8.0%	5,915,996	9.4%
1992	62,513,875	1,521,241	2.4%	3,312,520	5.3%	6,228,640	10.0%
Average Return On Equity		4.6%		-1.8%		7.3%	

* Excludes the Alabama Incentives Financing Authority \$30 Million bond - no income was recorded.
This bond served only to reduce the returns on investment and fund liquidity.

Combined Ratio:

Underwriting profitability and investment income have greatly enhanced plan results. As the Fund Equity increased, premium charges have decreased and have allowed improvements to the property coverage.

Investment Ratio:

The Investment goal is to earn above the current market trends over time, recognizing the market and interest rate swings. Investment revenues enable the property fund to sustain current rates which are considerably lower than what is available through the private sector.

STATE INSURANCE FUND LOSS EXPERIENCE BY FISCAL YEAR

	2000-2001	1999-2000	1998-99	1997-98	1996-97
Earned Premium	\$11,504,086	\$10,611,168	\$10,258,420	\$11,241,583	\$10,327,384
Less Reinsurance Cost	4,625,350	3,720,562	4,057,885	3,945,428	3,471,031
Net Premium	\$6,878,736	\$6,890,606	\$6,200,535	\$7,296,155	\$6,856,353
Losses Incurred	9,689,827	5,319,982	10,188,763	5,545,411	8,928,710
Loss and Expense Incurred	997,927	724,523	(145,714)	(631,543)	(5,503,094)
Loss Incurred But Not Reported	9,992	112,975	(2,781,107)	3,598,616	523,111
Losses Incurred	\$10,697,746	\$6,157,480	\$7,261,942	\$8,512,484	\$3,948,727
Less Recoveries	28,529	91,560	44,540	309,709	1,591,592
Net Losses	\$10,669,217	\$6,065,920	\$7,217,402	\$8,202,775	\$2,357,135
Loss Ratio	(1) 155.1%	88.0%	116.4%	112.4%	34.4%

(1) Loss Ratio = Net Losses divided by the Net Premium.

GENERAL LIABILITY TRUST FUND

INVESTMENT NOTES

Status - September 30, 2001

	<u>2001</u>	<u>2000</u>	<u>% Change</u>
Government National Mortgage Association	\$617,611	\$797,689	(22.6)
Other Government Securities	15,214,804	15,153,502	0.4
Commercial Paper	5,345,196	2,701,947	97.8
Total Investments	<u>\$21,177,611</u>	<u>\$18,653,138</u>	<u>13.5</u>
 Investment Income	 <u>\$1,665,939</u>	 <u>\$590,281</u>	 <u>182.2</u>

**GENERAL LIABILITY TRUST FUND
BALANCE SHEET
UNAUDITED
AS OF SEPTEMBER 30, 2001**

ASSETS	<u>FY 2001</u>	<u>FY 2000</u>	<u>FY 1999</u>
Cash and Cash Equivalents	\$559,684	\$305,663	\$787,383
Auto Premium Refund Receivable	1,424,830	480,070	1,146,304
Accounts Receivable - Premium	2,243	2,935	39
Accrued Interest Receivable	312,515	387,914	316,725
Investments	21,177,611	18,653,138	15,286,727
Prepaid Reinsurance	290,334	227,333	215,714
TOTAL Assets	<u>\$23,767,217</u>	<u>\$20,057,053</u>	<u>\$17,752,892</u>

LIABILITIES & FUND EQUITY

Current Liabilities:			
Accounts Payable	\$22,966	\$12,057	\$27,030
Liabilities for Unpaid Claims:			
Unpaid Claims & Expenses	5,717,009	4,459,466	3,594,583
Claims Incurred But Not Reported	11,019,711	9,370,605	10,567,403
Total Claim Liabilities	16,736,720	13,830,071	14,161,986
TOTAL Liabilities	16,759,686	13,842,128	14,189,016
Fund Equity:			
Fund Balance	7,007,531	6,214,925	3,563,876
TOTAL Liabilities & Fund Equity	<u>\$23,767,217</u>	<u>\$20,057,053</u>	<u>\$17,752,892</u>

**GENERAL LIABILITY TRUST FUND
STATEMENT OF REVENUE AND EXPENSES
UNAUDITED
SEPTEMBER 30, 2001**

	<u>FY 2001</u>	<u>FY 2000</u>	<u>FY 1999</u>
REVENUES:			
Earned Premiums	\$7,369,736	\$7,363,084	\$7,269,520
Interest Income - Investments	1,665,939	590,281	945,845
Recoveries	2,386	1,843	150
Other Income	0	450	
TOTAL REVENUES	\$9,038,061	\$7,955,658	\$8,215,515
EXPENSES:			
OPERATION:			
Loss and Adjustment Expenses	\$5,169,550	\$3,792,568	\$4,807,444
Incurred But Not Reported Expense	1,649,106	(1,196,798)	(1,552,032)
Professional Services-non claim related		12,838	
Reinsurance Expense	1,857,947	2,843,944	2,279,277
Actuarial Services	9,985	9,500	4,988
Total Operation	8,686,588	5,462,052	5,539,677
ADMINISTRATION:			
Personnel Salaries	241,255	274,619	255,104
Employee Benefits	54,924	63,083	53,626
Travel In-State	10,125	12,050	14,950
Travel Out-of-State	3,292	4,281	2,558
Repairs and Maintenance	892	1,666	4,772
Rentals and Leases	2,031	2,949	50,431
Utilities and Communication	13,936	12,772	24,071
Professional Services - Non-Claim	55,615	87,269	93,652
Supplies, Materials & Operating Expense	15,806	12,097	31,486
Transportation Equipment Operations	2,267	3,499	5,537
Total Administration	400,143	474,285	536,187
TOTAL EXPENSES	9,086,731	5,936,337	6,075,864
NET REVENUES	(\$48,670)	\$2,019,321	\$2,139,651